

# **TRANSLATION OF COMMISSION VIII REPORT TO THE DPR MEETING**

## **1. The presence of PTFI in The Administrative Regency of Mimika**

PTFI manages a gold and copper mining in Timika. It officially started its operation in 1973. In 1998, a significant gold reserve was discovered in Grasberg. In 1991, the second Contract of Work for 30 years – extendable for 2 x 10 years was signed. Given the ore production trend from less than 7500 tons per day (TPD) in 1978, to 200,000 TPD in 1997, and estimated to reach 300,000 TPD in 1998 (in which the ore contents gold, copper, etc.), it is understandable that this mining company has prospects for profitable business. In addition, the development of mining infrastructure and other supporting facilities in a difficult location, including the presentable and comfortable employee housing facilities, support the above point. On the other hand, the condition of local people has not changed much compared to 25 years ago when the company started its initial operations.

Given the bright prospect for job and business opportunities, people from other regions started to migrate into Timika. They came from other parts of Irian Jaya, as well as from outside Irian. These migrants were generally much better prepared and had higher skills than the locals so that a higher standard of living can be seen among these migrants. Subsequently, it created a significant socio-economy gap between migrants and the local people resulting in jealousy and the potential for social conflicts.

The explosive nature of this situation is caused by the simple way of thinking and culture of the indigenous people. The local people are highly heterogeneous with characteristics that are not easily understood by migrants. For instance, there are 7 tribes in the mining project area, each having a distinct socio-culture. We have been informed that these days, traditional tribal chiefs have been getting less and less respect, particularly by younger people who have experienced modern, although not so high, education. On the other hand, mining operations have been detrimental for the local people because of among others, tailings deposition area, and shrinking land for their hunting and farming. The perception is that the local government has not done much to raise the people's welfare.

A concept of empowering the community was set up and initiated several years ago, and its implementation has been expedited in the form of 'Program Pengembangan Wilayah Timika

Terpadu-PWT2 or Integrated Timika Development (ITD) program' prepared in 1995. The PWT2 involves the Central Government, Regional Government (Pemda), Private Sectors, Academicians, and Social/Informal Leaders.

The main program of PWT2 consists of:

1. Providing people's basic needs
2. Improving quality of human resources
3. Raising community motivation and participation in development
4. Empowering village institutions
5. Improving the quality of housing and other basic facilities.
6. Upgrading economic facilities
7. Raising village and family welfare
8. Spatial planning, including environmental protection.

The characteristics of the PWT2 are:

1. An integrated development effort to be under the government's coordination;
2. Community involvement in the process of
  - a. Planning
  - b. Project implementation
  - c. Project monitoring
  - d. Project evaluation
3. Financial support to originate from contributions and donations from PT Freeport Indonesia and other companies, and government budget.

It should be noted that all PTFI community development programs have been integrated in the PWT2 program. Apart from the financing, it is important to note that there are 2 companies linked contractually to PTFI, that owe local taxes to the Regional Govt. (PP-1 or Hotel and Restaurant tax) totaling Rp. 7 billion. Both companies are owned by two prominent businessmen, so influential that the local government has difficulties in dealing with them.

Funding out of 1% of PTFI's revenues is earmarked for community and regional development under the PWT2 program. The funding is for a ten-year period, starting from 1996.

The first year evaluation indicates that:

1. Involvement of the regional government has yet to be optimal
2. The distribution mechanism and the utilization [of the funding] has not affected the lower level of the community.
3. The community has misunderstood the PWT2 program and its funding.
4. The concept of village development has shifted to become tribal-based development.
5. The accountability of funds by the Foundations is inadequate.

Progress during the second year:

1. The Regional Government at Mimika has been more active in managing the program.
2. Publicizing PWT2 program is intensified in villages
3. The placement of 19 motivators at villages
4. Cooperation with NGOs
5. Improved funds allocation

Given the various demands on PTFI, particularly on PTFI to contribute more to the region, further comprehensive deliberation (on the subject) is needed.

As a foreign company, PTFI can not be expected to participate more than [what is written under] the existing agreement, which (clearly) has a legal base. They have been taking various steps to develop the community and improve the environment, and even anticipatory planning for the time when mining operations will end, of projects which have been integrated into the PWT2 program. Efforts to get increased assistance from PTFI to support regional development, should be implemented through contract negotiations. Any disturbances and barriers experienced by PTFI can be interpreted by the world that investment in the region is unsafe, preventing foreigners from investing in the region. This will not benefit the interests of both the nation nor the region. As such, the existence of PTFI must be maintained and secured, and its benefits made use of to support the Regional Government in developing the region.

In relation to the above, it is therefore necessary to take the following steps:

1. To upgrade the status of the Administrative Regency of Mimika to become the Mimika Regency, an autonomous region, with its initial capital derived from facilities and funding received from PTFI.
2. To upgrade regional government institutions with skilled personnel, and improve the quality of existing personnel through training.

## **2. Politics and Security of Irian Jaya**

Political stability and security in several areas in Irian Jaya have been marked by demonstrations and vandalism by some members of the community can be seen as an opportunity during the reform era to unify the Irianese people's aspiration, which has been long been cumulatively repressed.

Although the targets of the protesters differ, we can observe a certain uniformity in their demands such as :

- a. demand for a Free Papua because freedom is the right of all people
- b. dissatisfaction with past development efforts
- c. people feel they have been mere spectators, never enjoying the development occurring in their area;
- d. people do not want the military's presence in Irian Jaya

Given the above, the strategy of Irian Jaya development needs to be modified and it is necessary to reform the attitudes of government officials in Irian Jaya. Also needed is a security model and strategy which prioritize prosperity and approaches stress on guidance, protection, providing services and care for the Irianese people. Irianese government officials with national and international outlook are needed in addition to the existing officials.

Security model and strategy in Irian Jaya should involve an operation command that prioritizes territorial operations (non-combat, participating in civic projects to win the people's hearts and minds) and public order and security, followed by integrated intelligence operations, with combat operations on the side. Therefore, personnel for territorial operations must be

upgraded, and if necessary, the relevant personnel added to Kodam VIII/TKR. Combat units should be given sufficient information on territorial operations, so that the combat units can assist territorial operations units (bhakti ABRI, AMD service operations or other *manunggals*). As for intelligence units, apart from quality, they should also be able to cooperate with intelligence from other institutions. Specifically regarding security detail for PT Freeport Indonesia, a change of command is expected. What applies now is as follows : PTFI security details are not territorial operation units or central units . Territorial operations units are not authorized to enter PT Freeport Indonesia area. But when a big violation occurs, territorial operations units are asked to be involved. We suggest that the PTFI security units originate from territorial units, given that they will have the authority over their area of responsibility.

## **CONCLUSION and SUGGESTIONS**

1. Development in Irian Jaya needs a specific approach that suits the character and culture of the people. Cooperation, protection, guidance, provision of service and care should be part of the basic pattern. To optimize development efforts in Irian Jaya, the philosophy of regional development with national interests should be changed to become national development with regional interests . Sectoral performance oriented conventional approaches should be revised to become regional performance oriented. This is important if the Irianese are to be the owner of their own land and thus, reduce (incidents of) social envy. It is this social envy and the lack of justices, that has in fact, created insecurity and political instability.
2. The central government needs to reform sectoral and *Inpres (presidential instructed)* projects including foreign assistance programs in order to avoid problems such as :
  - a. DIP without operational instruction
  - b. Late appointments Project Managers (Pimpro and Benpro)
  - c. Late revision of DIP and operational instructions
  - d. Intervention by the central govt. on procurement of goods and designation of partnership
  - e. approval for support funding toward the use of foreign funds
  - f. integrated inter-department planning for the sectoral, regional and non-governmental projects.

3. Clarifications needed in regards to PTFI:

- a. The presence of PT Freeport Indonesia should be maintained and secured
- b. Demand for PT Freeport Indonesia's participation in improving the people's welfare and development of Irian Jaya should be negotiated and included in a contract so that it has a clear legal basis.
- c. The disbursement of funds from PTFI for the region should be done in a fair, transparent and organized manner.

**CLOSING**

This report has been prepared with the hope that it will benefit all of us, particularly in the policy making and planning of developing the country and the people. (ends)